

9250  
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9250  
FEB 24 1978 -10 05 AM  
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9250  
RECORDATION NO. \_\_\_\_\_ Filed & Recorded

FEB 24 1978 -10 05 AM  
February 24, 1978

Soltex Polymer Corporation  
Equipment Lease Dated as of January 10, 1978

Dear Sir:

Pursuant to Section 20c of the Interstate Commerce Act and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Soltex Polymer Corporation for filing and recordation counterparts of the following documents:

1. Equipment Lease dated as of January 10, 1978, between First Security Bank of Utah, N.A., as Trustee and Soltex Polymer Corporation, as Lessee.
2. (a) Trust Indenture dated as of October 1, 1976, between First Security Bank of Utah, N.A., as Owner Trustee and United States Trust Company of New York, as Trustee.  
(b) Supplemental Indenture dated as of January 10, 1978, between First Security Bank of Utah, N.A., as Owner Trustee and United States Trust Company of New York, as Trustee.

The names and addresses of the parties to the aforementioned Agreements are as follows:

- (1) Trustee--Indenture Trustee--Mortgagee:

United States Trust Company of New York  
130 John Street  
New York, N. Y. 10038

RECEIVED  
FEB 24 9 56 AM '78  
CERTIFICATION UNIT

(2) Trustee--Owner Trustee--Lessor--Mortgagor:

First Security Bank of Utah, N.A.  
P. O. Box 30007  
Salt Lake City, Utah 84125

(3) Lessee:

Soltex Polymer Corporation  
3333 Richmond Avenue  
Houston, Texas 77027

Please file and record the documents referred to in this letter and cross-index them under the names of the Trustee--Indenture Trustee--Mortgagee, the Trustee--Owner Trustee--Lessor--Mortgagor, and the Lessee.

The equipment covered by the aforementioned documents consists of the following:

Fifty-five (55) 100-Ton Roller Bearing CF 5701 Center Flow Covered Hopper Cars (AAR Designation LO) bearing identifying numbers ELTX 838 through ELTX 892, both inclusive.

There is also enclosed a check for \$110 payable to the Interstate Commerce Commission, representing the fee for recording the Equipment Lease and the Trust Indenture as supplemented by the Supplemental Indenture.

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,



David C. Spialter  
As Agent for Soltex Polymer Corporation

Robert L. Oswald, Esq., Secretary,  
Interstate Commerce Commission,  
Washington, D. C. 20423

Encls.

54A

BY HAND

**Interstate Commerce Commission**

**Washington, D.C. 20423**

**2/24/78**

**OFFICE OF THE SECRETARY**

**David C. Spialter  
Cravath, Swaine & Moore  
One Chase Manhattan Plaza  
New York, N.Y.**


Dear

**Sir:**

The enclosed document(s) was recorded pursuant to the  
provisions of Section 20(c) of the Interstate Commerce Act,  
49 U.S.C. 20(c), on **2/24/78** at **10:05am**,  
and assigned recordation number(s)

**9250, 9250-A & 9250-B**

Sincerely yours,

  
**H.G. Homme, Jr.**  
Acting Secretary

Enclosure(s)

**SE-30-T  
(6/77)**

9250

RECORDATION NO. .... Filed & Recorded

FEB 24 1978 - 10 00 AM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of January 10, 1978

Between

FIRST SECURITY BANK OF UTAH, N.A.  
not in its individual capacity,  
but solely as trustee under a  
Master Trust Agreement dated as of  
October 1, 1976 between it and  
Itel Capital Services Corporation,  
as Lessor

and

SOLTEX POLYMER CORPORATION,  
as Lessee

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Description of Equipment

EXHIBIT B

Certificate of Acceptance

EXHIBIT C

Group 1 Equipment

EXHIBIT D

Group 1 Equipment

## EQUIPMENT LEASE

THIS EQUIPMENT LEASE, dated as of the date set forth in Exhibit C hereto (the Lease), between FIRST SECURITY BANK OF UTAH, N.A., a national banking association, not in its individual capacity, but solely as trustee (the Lessor) under a Master Trust Agreement dated as of October 1, 1976 between it and Itel Capital Services Corporation, and the entity named as "Lessee" on the signature page hereof (the Lessee).

### W I T N E S S E T H :

#### SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires:

(a) All references in this instrument to designated Sections and other subdivisions are to designated Sections and other subdivisions of this Lease, and the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Section or other subdivision;

(b) The terms defined in this Section 1 or elsewhere in this Lease shall have the meanings assigned to them in this Section 1 or elsewhere and include the plural as well as the singular;

(c) Except as otherwise indicated, all the agreements or instruments hereinafter defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof;

(d) The following terms shall have the following meanings for all purposes of this Lease:

(1) Appraisal shall mean a procedure whereby two independent appraisers, neither of whom shall be a manufacturer of the Item of Leased Equipment for which Appraisal is required, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers as described above, the two appraisers are unable to agree upon the amount in question, a third independent appraiser, who shall not be a manufacturer of such Item, shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the

third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and such decision shall be binding and conclusive on the Lessor and the Lessee. The Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them and shall share equally the fees and expenses of the third appraiser, if any.

(2) Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

(3) Beneficiary, Daily Lease Rate Factor, Rent Commencement Date, Basic Rent Dates, Basic Lease Rate Factor, Expiration Date, First Delivery Date, Final Delivery Date, Interim Rent Date, First Basic Rent Date, Last Basic Rent Date, Depreciable Life, Depreciation Method, Salvage Value, Investment Credit, Overdue Rate, Lease Extension Periods, Return of Equipment and Equipment Marking shall have the meanings with respect to each Group of Equipment set forth in Exhibit C hereto.

(4) Business Day shall have the meaning set forth in the Participation Agreement.

(5) Casualty Value and, if such term shall be applicable to this Lease, Termination Value shall have the meanings with respect to each Group of Equipment set forth in Exhibit D hereto.

(6) Certificate of Acceptance shall mean a certificate of acceptance substantially in the form of Exhibit B hereto.

(7) Closing Date shall have the meaning set forth in the Participation Agreement.

(8) Equipment, and individually an Item or Item of Equipment, shall mean the items of equipment described in Exhibit A hereto.

(9) Fair Market Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the aggregate amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than: (i) a lessee currently in possession, or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value and all alternative uses in the hands of such buyer or user, including without limitation, the further leasing of such Item of Leased Equipment, shall be taken into account in making such determination. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Leased Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.



(10) First Termination Date, if such term shall be applicable to this Lease, shall have the meaning with respect to each Group of Equipment set forth in Exhibit C hereto.

(11) Group of Equipment and Lessor's Cost shall have the meanings set forth in the Certificate of Acceptance with respect to each Item of Leased Equipment.

(12) Indenture shall mean the Trust Indenture dated as of October 1, 1976 between United States Trust Company of New York, a New York corporation, not in its individual capacity, but solely as trustee thereunder (the Trustee), and the Lessor.

(13) Leased Equipment, and individually an Item of Leased Equipment, shall have the meanings set forth in Section 2 hereof.

(14) Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Leased Equipment.

(15) Participation Agreement shall mean the agreement, dated as of the date hereof, among the Lessee, the Lessor, the Trustee, each Beneficiary and each entity named therein as Interim Lender or Long-Term Lender.

(16) Purchase Documents shall mean those documents defined as purchase documents in the Participation Agreement.

(17) Supplement shall mean each supplement to the Indenture creating a separate series of the Notes.

## SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease, the Lessor hereby agrees to lease to the Lessee and the Lessee hereby agrees to lease from the Lessor such Items of Equipment as shall be described in one or more Certificates of Acceptance executed and delivered on behalf of the Lessor with respect thereto and as shall have been delivered and accepted on or after the First Delivery Date but on or before the Final Delivery Date (Leased Equipment, and individually an Item of Leased Equipment). Subject to the provisions of the Participation Agreement, upon delivery of each Item of Equipment to the Lessor, the Lessee will cause an authorized representative of the Lessee to inspect the same and, if such Item of Equipment is found to be in good order, to accept such Item of Equipment and to execute and deliver a Certificate of Acceptance with respect thereto, whereupon, but also subject to the provisions of the Participation Agreement, such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject to the terms and conditions of this Lease.

SECTION 3. Term and Rent.

(a) The term of this Lease as to each Item of Leased Equipment included in a Group of Equipment shall begin on its date of acceptance, as set forth in the Certificate of Acceptance executed and delivered with respect thereto, and shall end on the Expiration Date with respect to such Group of Equipment, unless this Lease shall have been terminated, or the term of this Lease with respect to such Group of Equipment shall have been extended, by the terms hereof.

(b) The Lessee shall pay to the Lessor as Basic Rent (herein referred to as Basic Rent) for each Item of Leased Equipment subject to this Lease, the following:

(1) on the Interim Rent Date, an amount equal to the Daily Lease Rate Factor, if any, multiplied by the Lessor's Cost of such Item, for each day elapsed from and including the Rent Commencement Date with respect to such Item to but excluding the Interim Rent Date;

(2) on the First Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item; and

(3) on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with all Basic Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent, Casualty Value and Termination Value, if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value or Termination Value, if any; and

(3) to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of twelve 30-day months) at the Overdue Rate on any payment of Basic Rent, Casualty Value or Termination Value, if any, not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent (including, without limitation, interest payable under this clause (3), but excluding payments of Casualty Value or Termination Value, if any) not paid when demanded hereunder for the period from the date of such demand until the date on which the same shall be paid.

(d) Subject to the provisions of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds on the date payable hereunder, and shall be paid to the Lessor at its address set forth herein or at such other address as the Lessor may direct by notice in writing to the Lessee.

#### SECTION 4. Net Lease.

This Lease is a net lease and the Lessee acknowledges and agrees that the Lessee's obligation to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatements) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, or against the manufacturer or seller of any Item of Leased Equipment. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Leased Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by any private person, corporation or governmental authority, or the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

#### SECTION 5. Return of Equipment.

(a) Upon the expiration or termination of this Lease with respect to a Group of Equipment, the Lessee, at its own expense, will return the Items of Leased Equipment then subject to this Lease which are included in such Group of Equipment to the Lessor in the condition in which such Leased Equipment is required to be maintained pursuant to Section 9 hereof and, except as otherwise provided in the succeeding paragraph (b), pursuant to the instructions set forth under the heading Return of Equipment in Exhibit C to this Lease. Such Leased Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens, security interests, charges, encumbrances and claims (Liens), other than Liens either (a) resulting from voluntary action by the Lessor without the prior approval of the Lessee and not taken as the result of any default by the Lessee, or (b) resulting from claims against the Lessor not related to the Lessor's ownership of the Leased Equipment (Liens described in clauses (a) and (b) above being herein referred to as Lessor's Liens).

(b) Upon the termination of this Lease in accordance with Section 18 hereof, the Lessee, at its own cost, expense and risk shall (a) forthwith and in the usual manner (including, without limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Item has been interchanged, to return such Item so interchanged) place the Leased Equipment upon such storage tracks as the Lessor may reasonably designate, (b) permit the Lessor to store the Leased Equipment on such tracks at the risk of the Lessee without charge for insurance, rent or storage until the Leased Equipment shall have been sold, leased or otherwise disposed of by the Lessor and (c) transport the Leased Equipment to any connecting carrier for shipment, all as directed by Lessor. During any such storage period, the Lessee's obligations under Sections 9, 10 and 12 shall remain in full force and effect notwithstanding the termination of this Lease.

SECTION 6. Warranties of the Lessor.

(a) The Lessor warrants that during the term of this Lease, if no Event of Default has occurred, the Lessee's use of the Leased Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranties set forth in paragraph (a) of this Section are in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Leased Equipment; and the Lessor shall not be deemed to have made, and the LESSOR HEREBY DISCLAIMS ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE LEASED EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE LEASED EQUIPMENT OR CONFORMITY OF THE LEASED EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Event of Default shall have occurred hereunder and be continuing, all of the Lessor's rights under any applicable manufacturer's or seller's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify and shall hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Leased Equipment to the condition required by Section 9 hereof. In the event the amount so received exceeds that which is necessary to (i) restore the Leased Equipment in accordance with the preceding sentence, and (ii) make the Lessor whole with respect to any damages which it has sustained as a result of such breach of warranty, the Lessee shall be entitled to receive from said excess its reasonable out-of-pocket costs and expenses incurred in asserting the Lessor's rights together

with an amount equal to any damages sustained by the Lessee and arising out of such breach, with the balance to be paid over to the Lessor.

#### SECTION 7. Liens.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to the Leased Equipment, the Lessor's title thereto or any interest therein (and the Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Lessor's Liens, (c) Liens for taxes either not yet due or being contested in good faith and by appropriate proceedings, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings do not, in the opinion of such counsel, adversely affect the title, property, or rights of the Lessor, (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent, and (e) Liens granted by the Lessor to any assignee or security assignee of the Lessor.

#### SECTION 8. Taxes.

The Lessee agrees to pay and to indemnify the Lessor for, and hold the Lessor harmless from and against, all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease and imposed against the Lessor, the Lessee or the Leased Equipment by any federal, state, local or foreign government or taxing authority upon or with respect to the Leased Equipment or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, taxes on and measured solely by the net income of the Lessor) unless, and only to the extent that, the Lessee shall have given to the Lessor written notice of any such Imposition, which notice shall state that such Imposition is being contested by the Lessee in good faith and by appropriate proceedings and counsel for the Lessor shall have determined that the nonpayment thereof or the contest thereof in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under this Section 8 or arising out of this Section 8, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Leased Equipment in the Lessor and send a copy of such report or return to the Lessor or will notify the Lessor of

such requirement and make such report or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

SECTION 9. Use, Maintenance and Operation; Identifying Marks.

(a) The Lessee agrees that the Leased Equipment will be used or is intended for use, in connection with interstate commerce and will be used in compliance with any and all statutes, laws, ordinances and regulations of any governmental agency applicable to the use of the Leased Equipment, and, subject to the provisions of Section 14 hereof, will at all times be used solely in the conduct of its business and be and remain in the possession and control of the Lessee within the geographic limits of the continental United States; provided, however, that the Lessee may use or permit the use of Items of Leased Equipment having an aggregate Lessor's Cost not in excess of 15% of the aggregate Lessor's Cost of all Leased Equipment then subject to this Lease, outside the geographic limits of the continental United States in interchange in the normal course of its business. Throughout the term of this Lease, the possession, use and maintenance of the Leased Equipment shall be at the sole risk and expense of the Lessee.

(b) The Lessee shall use the Items of Leased Equipment only in the manner for which they were designed and intended and will, at its own cost and expense, repair and maintain each Item of Leased Equipment so as to keep it in as good condition as when delivered to the Lessee hereunder, ordinary wear and tear excepted. In connection therewith, the Lessee shall provide the Lessor with an annual certificate, executed by an officer of the Lessee and confirming to the Lessor that the Leased Equipment is being maintained in accordance with the provisions of this Section 9(b).

(c) Except as set forth in paragraph (d) below, the Lessee shall be entitled from time to time during the term of this Lease, to acquire and install on any Item of Leased Equipment at the Lessee's expense, such additional features or options as may be available at such time with respect to such Item, and such additional features and options shall not be considered accessions to such Item and title thereto shall remain in the Lessee except as provided in the last sentence of this paragraph (c). Such additional features or options shall be removed by the Lessee before such Item is returned to the Lessor, and the Lessee shall repair all damage to such Item resulting from such installation and removal so as to restore such Item to the condition in which it existed prior to the installation of such additional features or options. Any such additional features and options not so removed shall be considered accessions to such Item and shall become the property of the Lessor.

(d) The Lessee will not, without the prior written consent of the Lessor, which consent shall not be unreasonably withheld and which consent shall not be withheld if such accessory, equipment or device is required by applicable law or governmental regulation, affix or install any accessory, equipment or device on any Item of Leased Equipment leased

hereunder which will either impair the originally intended function or use of any such Item or constitute an improvement or addition to such Item of Leased Equipment which is not, within the meaning of any law, regulation or procedure then in effect, readily removable without causing material damage to such Item of Leased Equipment. Only such accessories, equipment and devices which are not readily removable without material damage shall upon attachment or affixation become the property of the Lessor and thereupon all such accessories, equipment and devices shall become a part of the Leased Equipment leased hereunder. The replaced parts shall no longer be the property of the Lessor.

(e) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Leased Equipment to be kept numbered with the identification or serial number therefor as specified in the Certificate of Acceptance therefor and (2) maintain the Equipment Marking on each Item of Leased Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Equipment, the rights of the Lessor under this Lease and the Lien granted by the Lessor in financing the Lessor's Cost of the Leased Equipment. The Lessee will not place any Item of Leased Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

#### SECTION 10. Inspection.

The Lessor shall have the right, but not the duty, to inspect the Leased Equipment. Upon the request of the Lessor, the Lessee shall, at any reasonable time, make the Leased Equipment, and the Lessee's records pertaining to the Leased Equipment, available to the Lessor for inspection.

#### SECTION 11. Loss or Destruction; Requisition of Use.

(a) In the event that any Item of Leased Equipment shall be or become damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or title thereto shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (Requisition of Use), or any Item of Leased Equipment is returned to the manufacturer or seller thereof pursuant to the patent indemnity provisions of the Purchase Documents, such fact shall promptly be reported by the Lessee to the Lessor.

(b) The Lessee shall determine, within 15 days after the date of occurrence of any such damage or wearing out, whether such Item of Leased Equipment can be repaired or replaced.

(c) In the event the Lessee determines that such Item cannot be repaired or replaced or in the event of such destruction, loss, theft, unfitness for use, Requisition of Use for a stated period which exceeds the

term of this Lease, or permanent return of such Item to the manufacturer or seller thereof without replacement thereof (any of such occurrences being referred to as an Event of Loss), the Lessee shall promptly notify the Lessor of such Event of Loss. On the Basic Rent Date next following the date of such Event of Loss, the Lessee shall pay to the Lessor the Casualty Value of such Item, determined as of such Basic Rent Date, together with any Rent then due. In the event the Lessee determines that such Item can be repaired or replaced, the Lessee shall continue to make all payments of Basic Rent due with respect to such Item and shall (1) cause such Item to be repaired or replaced within 90 days after the occurrence of such damage or wearing out, and (2) in the event of replacement, take such action as may be required under and pursuant to the Indenture to perfect, protect and preserve any security interests created by the Lessor under and pursuant to the Indenture; provided, however, that if the Lessee shall, within such 90-day period, have commenced the repair or replacement of such Item and be diligently pursuing such repair or replacement, but is prevented from completing such repair or replacement within such 90-day period due to causes beyond the Lessee's control, then the time for repair or replacement shall be extended by the number of days necessary to complete such repair or replacement up to a maximum of 90 additional days, and further provided, that if the Lessee shall fail to repair or replace such Item within such repair or replacement period (including any extension thereof) an Event of Loss shall be deemed to have occurred and the Lessee shall, on the Basic Rent Date next following the end of such repair or replacement period, pay to the Lessor the Casualty Value of such Item, determined as of such Basic Rent Date, together with any Rent then due. If at such time no more Basic Rent is or will become payable under this Lease, the Casualty Value shall be paid within 30 days following, as appropriate, the Event of Loss or the repair or replacement period. The obligation of the Lessee to pay Rent during the above-described replacement or repair period shall remain in full force and effect. Notwithstanding the foregoing, the Lessee, pursuant to the provisions of Section 15 hereof, shall still be required to indemnify the Lessor for any Loss, as defined in Section 15 hereof, due to the Lessee's act of replacing an Item of Leased Equipment authorized hereby. Upon making such Casualty Value payment in respect of such Item and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item, and to pay Rent for all other Items of Leased Equipment shall remain unchanged. Except in the case of loss, theft, destruction, or return to the manufacturer or seller, the Lessor shall be entitled to recover possession of such Item, unless possession of such Item is required to be delivered to an insurance carrier (other than the Lessee) in order to settle an insurance claim arising out of the Event of Loss. The Lessor shall be entitled to retain any salvage value collected by such insurance carrier in excess of the amount paid to the Lessor by said insurance carrier. The Lessor shall be under no duty to Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor. Any replacement Item installed by the Lessee in accordance with the provisions of this



Section 11(c) shall be in as good operating condition as, and shall have a value and utility at least equal to, the Item replaced, assuming the Item replaced was in the condition and state of repair required to be maintained by the terms hereof.

(d) Following payment of the Casualty Value of an Item of Leased Equipment in accordance with the provisions of Section 11(c), the Lessee shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. As to each separate Item so disposed of, the Lessee may, after paying the Lessor the amounts specified in Section 11(c), retain all amounts of such price, plus damages received by the Lessee by reason of such Event of Loss, up to the Casualty Value and the Lessee's reasonable costs and expenses of disposition attributable thereto, and shall remit the excess, if any, to the Lessor. As to each Item of Leased Equipment returned to the manufacturer or seller thereof in the manner described in Section 11(a) and not replaced or modified by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Documents, the Lessor agrees that the Lessee shall receive and retain all amounts payable to the Lessor by the manufacturer or seller for the return of such Item, up to the Casualty Value paid by the Lessee hereunder and the Lessee's reasonable costs and expenses attributable thereto, and any excess shall be paid over to or retained by the Lessor. As to each Item of Leased Equipment modified and each replacement Item installed by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Documents, the Lessor and the Lessee agree that such modified Item or replacement Item shall be delivered to the Lessee and shall, without any further act of the Lessor or the Lessee, be considered an Item for all purposes of this Lease.

(e) Except as hereinabove in this Section 11 provided, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage or Event of Loss to any Item of Leased Equipment after delivery to and acceptance by the Lessee hereunder.

(f) In the case of a Requisition of Use of any Item of Leased Equipment for an indefinite period or for a stated period which does not exceed the term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item, and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums received by reason of any such Requisition of Use, up to the amount of the Basic Rent paid by the Lessee during the period of such Requisition of Use.

## SECTION 12. Insurance.

At its own expense, the Lessee will cause to be carried and maintained casualty insurance with respect to each Item of Leased Equipment

and public liability insurance, in each case in amounts and against risks customarily insured against by the Lessee on similar equipment owned by it. Any policies with respect to such insurance shall be with an insurance carrier acceptable to the Lessor and, if requested by the Lessor, shall name the Lessor, the Trustee (as assignee and secured party) and the Lessee as assureds and loss payees, as their interests may appear, and shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor in the event of cancellation or expiration. The Lessee shall, upon request of the Lessor, furnish appropriate evidence of such insurance.

### SECTION 13. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability), actions, suits, costs, expenses and disbursements (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other person, in any way relating to or arising out of this Lease or any document contemplated hereby or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, registration, sale, return, storage or disposition of any Item of Leased Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent, trademark or copyright infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claim in respect of any Item of Leased Equipment arising from acts or events which occur after possession of such Item of Leased Equipment has been redelivered to the Lessor, or (b) any Claim resulting from acts which would constitute the wilful misconduct or gross negligence of the Lessor. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 13, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. The Lessee agrees that the Lessor shall not be liable to the Lessee for any Claim caused directly or indirectly by the inadequacy of any Item of Leased Equipment for any purpose or any deficiency or defect therein or the use or maintenance thereof or any repairs, servicing or adjustments thereto or any delay in providing or failure to provide any thereof or any interruption or loss of service or use thereof or any loss of business, all of which shall be the risk and responsibility of the Lessee. The rights and indemnities of the Lessor hereunder are expressly made for the benefit of, and shall be

enforceable by, the Lessor notwithstanding the fact that the Lessor is either no longer a party to this Lease, or was not a party to this Lease at its outset.

SECTION 14.     Sublease.

The Lessee will not, without the prior written consent of the Lessor, which consent will not be unreasonably withheld or unreasonably delayed, sublet or otherwise relinquish possession of any of the Leased Equipment (except by way of interchange in the normal course of its business) or assign any of its rights hereunder; provided, however, that without such consent, the Lessee, so long as no event which, with the giving of notice or lapse of time or both, would become an Event of Default shall have occurred hereunder and be continuing, may sublease any Item of Leased Equipment (i), upon written notice to the Lessor, to any member of the consolidated group of companies of which Lessee is a member and (ii) upon prior written notice to the Lessor, to any person for a period or periods not in excess of an aggregate of 90 days in any successive 12 month period. No sublease shall be permitted hereunder unless (a) the rights of the sublessee thereunder are expressly subject and subordinate to the rights of the Lessor and any security assignee of the Lessor, and (b) except as otherwise provided in the proviso to the first sentence of Section 9(a) hereof, the Items of Leased Equipment to be subleased shall be used within the geographic limits of the continental United States. No sublease, other relinquishment of the possession of any of the Leased Equipment, or assignment by the Lessee of any of its rights hereunder shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder.

SECTION 15.     Tax Indemnification.

(a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided to an owner of property including, without limitation:

(i) unless otherwise provided in Exhibit C hereto, the investment tax credit (Investment Credit) allowed by section 38 and related sections of the Internal Revenue Code of 1954, as amended (Code), in an amount equal to the percentage set forth in Exhibit C hereto of the Lessor's Cost of each Item of Leased Equipment;

(ii) the deduction for accelerated depreciation (Depreciation Deduction) on each Item of Leased Equipment under various sections of the Code based upon the Depreciable Life, Depreciation Method and Salvage Value set forth in Exhibit C hereto;

(iii) the deduction under section 163 of the Code (Interest Deduction) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor in financing its purchase of each Item of Leased Equipment.

(b) If the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Lessor, all or any portion of the Investment Credit, the Interest Deduction or the Depreciation Deduction as is provided to an owner of property with respect to any Item of Leased Equipment (Loss), then the Basic Lease Rate Factor applicable to such Item of Leased Equipment shall, on and after the next succeeding Basic Rent Date, after written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Item as, in the reasonable opinion of the Lessor, will cause the Lessor's net return over the term of the Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all of the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item, and the Lessee shall forthwith pay to the Lessor the amount of any interest and penalties which may be assessed by the United States or any State against the Lessor attributable to the Loss.

(c) For purposes of this Section 15, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Leased Equipment) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. With respect to any Item of Leased Equipment, the Lessor shall be responsible for, and shall not be entitled to a payment under this Section 15 on account of, any Loss due to one or more of the following events: (i) a disqualifying disposition due to the sale of such Item of Leased Equipment or the lease thereof by the Lessor prior to any default by the Lessee, or (ii) a failure of the Lessor to timely or properly claim the Investment Credit, Interest Deduction or Depreciation Deduction for such Item of Leased Equipment in the tax return of the Lessor, or (iii) a disqualifying change in the nature of the Lessor's business or the liquidation thereof, or (iv) a foreclosure by any person holding through the Lessor of a lien on such Item of Leased Equipment, which foreclosure results solely from an act of the Lessor, or (v) any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value or Termination Value of such Item, if such Casualty Value or Termination Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section 15, or (vi) the failure of the Lessor to have sufficient liability for tax against which to apply such Investment Credit or taxable income against which to apply such Depreciation Deduction or Interest Deduction.

(d) In the event and to the extent that the cost of any improvement or addition (Capital Expenditure) to any Item of Leased Equipment made by the Lessee, is required to be included in the gross income of the Lessor for federal income tax purposes, then the Lessee shall pay to the Lessor on each Basic Rent Date thereafter, commencing with the first Basic Rent Date following the date on which the Lessee is required to furnish written notice of such inclusion to the Lessor pursuant to the succeeding paragraph (e), such amount which (after deduction of all taxes required to be paid by the Lessor on receipt thereof under the laws of the United States or any

political subdivision thereof), when taken together with the amount of Basic Rent due on each such date will, in the reasonable opinion of the Lessor, cause the Lessor's net return over the term of the Lease in respect of such Item to equal the net return that would have been available if the cost of such Capital Expenditure had not been includable in the Lessor's gross income, and the Casualty Values and Termination Values payable with respect to such Item shall be adjusted in amounts calculated in a similar such manner by the Lessor.

(e) For purposes of the preceding paragraph (d), the cost of any Capital Expenditure made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor for federal income tax purposes", if such inclusion is required by (i) any private ruling letter issued to the Lessor by the Internal Revenue Service that has not been revoked or otherwise rendered inapplicable at the time the cost of such Capital Expenditure is incurred, (ii) any provision of the Code or the applicable regulations thereunder, or (iii) any published revenue ruling or revenue procedure of the Internal Revenue Service which has not been held invalid by a court having ultimate appellate jurisdiction over the federal income tax liability of the Lessor. The Lessee shall, within 30 days after December 31 (or, if the Lessee's fiscal year end occurs on some other date, within 30 days of such other date) in each year in which the Lessee has made any Capital Expenditure which is required to be included in the gross income of the Lessor for federal income tax purposes, give written notice thereof to the Lessor describing such Capital Expenditure in reasonable detail and specifying the cost thereof.

(f) All of the Lessor's rights and privileges arising from the indemnities contained in this Section 15 shall survive the expiration or other termination of this Lease with respect to any or all Items of Leased Equipment and such indemnities are expressly made for the benefit of and shall be enforceable by the Lessor, its successors and assigns.

#### SECTION 16. Lease Extension.

(a) Provided that this Lease has not been terminated and provided that no Event of Default has occurred and is continuing hereunder, the Lessee shall have the option to extend the term of this Lease with respect to any Group of Equipment at the Expiration Date with respect to such Group of Equipment for such Lease Extension Periods as are provided for in Exhibit C hereto for a rental equal to the Fair Market Rental Value thereof determined as of such Expiration Date.

(b) Not less than 180 days prior to the Expiration Date with respect to such Group, the Lessee may indicate, by written notice to the Lessor, the Lessee's interest in exercising the Lessee's lease extension option described above, which notice shall set forth the Lessee's estimate of the Fair Market Rental Value of such Group of Equipment as of such Expiration Date. If, on or before a date 125 days prior to such Expiration Date, the Lessor and the Lessee are unable to agree upon a determination of

the Fair Market Rental Value of such Group of Equipment, such Fair Market Rental Value shall be determined in accordance with the procedure for Appraisal. After a determination of the Fair Market Rental Value of such Group of Equipment has been made in accordance with the procedure described above, the Lessee may exercise its option to extend the term of this Lease with respect to said Group of Equipment for the Fair Market Rental Value thereof by delivering written notice of such exercise to the Lessor not less than 60 days prior to the Expiration Date with respect to such Group.

(c) Fair Market Rental Value shall be determined on the basis of and shall mean the aggregate amount which would be obtainable in an arm's-length transaction between an informed and willing lessee and an informed and willing lessor under no compulsion to lease.

#### SECTION 17. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under the Lease (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Lessee shall fail to make any payment of Rent within 10 days after the same shall become due; or

(b) The Lessee shall fail to perform or observe any other covenant, condition, or agreement to be performed or observed by it under this Lease or any agreement, document or certificate delivered by the Lessee in connection herewith, and such failure shall continue for 20 days after written notice thereof from the Lessor to the Lessee; or

(c) Any representation or warranty made by the Lessee in this Lease or the Participation Agreement or in any document or certificate furnished to the Lessor in connection herewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(d) A petition in bankruptcy shall be filed by the Lessee, or the Lessee shall make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver; or a trustee or a receiver shall be appointed for the Lessee, for any Item of Leased Equipment or for a substantial part of its property without its consent and shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee and shall not be dismissed for a period of 60 days; or

(e) The Lessee shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material

real or personal property, and the applicable grace period with respect thereto shall have expired and the obligations shall not be contested in good faith; or

(f) The Lessee shall attempt to remove, sell, transfer, encumber, part with possession of, assign or sublet (except as expressly permitted by the provisions of this Lease) any Item of Leased Equipment.

#### SECTION 18. Remedies.

(a) Upon the occurrence of any Event of Default, the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Leased Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Leased Equipment to the possession of the Lessor at the place and in the condition required upon the return thereof pursuant to and in accordance with Section 5(b) hereof, or the Lessor, at its option, may enter upon the premises where the Leased Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Casualty Value of the Leased Equipment then subject to this Lease, computed as of the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default. Following the return of the Leased Equipment to the Lessor pursuant to this paragraph (2), the Lessor shall proceed to sell the Leased Equipment in such manner as it shall deem appropriate. The proceeds of such sale shall be applied by the Lessor (A) first, to all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor as a result of the default and the exercise of its remedies with respect thereto, and (B) second, to reimburse the Lessee for the Casualty Value to the extent previously paid by the Lessee as liquidated damages. Any surplus remaining thereafter shall be retained by the Lessor. To the extent that the Casualty Value has become due but not been previously paid, the Lessee shall forthwith pay to the Lessor the sum of (i) the amount by which (X) the sum of (a) the Casualty Value thereof, and (b) the amount payable under

clause (A) of the preceding sentence, exceeds (Y) the sale price of the Leased Equipment, and (ii) interest at the Overdue Rate on the full amount of the Casualty Value, computed from the date the Casualty Value is payable hereunder until such Casualty Value is paid by the Lessee.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

#### SECTION 19. Voluntary Termination.

(a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right, at any time on or after the First Termination Date, on at least 180 days' prior written notice to the Lessor, to terminate this Lease on any Basic Rent Date thereafter (other than the Last Basic Rent Date) with respect to all, but not less than all, Items of Leased Equipment subject to this Lease if such Items shall have become obsolete or surplus to the Lessee's requirements. Such termination shall be effective on the Basic Rent Date specified in such notice (hereinafter called the Termination Date). During the period from the giving of such notice until the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of such Items of Leased Equipment. The Lessee shall certify to the Lessor in writing the amount of each bid received by the Lessee and the name and address of the party submitting such bid. The Lessee may utilize agents for purposes of fulfilling its obligations set forth in this Section 19. On the Termination Date, the Lessor shall sell such Items of Leased Equipment without recourse or warranty, for cash, to whomsoever shall have submitted the highest bid prior to such date, and thereupon the Lessee shall deliver such Items of Leased Equipment so sold to the purchaser in the condition specified in this Lease. If no sale of such Items of Leased Equipment takes place on the Termination Date, this Lease shall continue in full force and effect as to such Items of Leased Equipment.



(b) The total sale price realized at any such sale shall be retained by the Lessor, and, in addition, the Lessee shall pay to the Lessor the amount of Basic Rent due on such Basic Rent Date, plus the excess, if any, of (A) the Termination Value for such Items, over (B) the proceeds of such sale less all expenses incurred by the Lessor in connection with such sale or with the collection or distribution of such payment. The obligation of the Lessee to pay Basic Rent with respect to such Items of Leased Equipment (including the installment of Basic Rent due on the Termination Date) shall continue undiminished until payment of the sale proceeds and all or any portion of the Termination Value, if any, payable hereunder to the Lessor. Upon the receipt of such payment the obligation of the Lessee to pay Basic Rent hereunder with respect to such Items shall cease. The Lessor shall have the right, but shall be under no duty, to solicit bids, to inquire into the efforts of the Lessee to obtain bids, or otherwise to take any action in connection with any such sale, other than as expressly provided herein. In the event the proceeds of such sale, less all expenses incurred by the Lessor in connection therewith or with the collection or distribution of such payment, exceed the Termination Value for such Items of Leased Equipment, the Lessee shall be entitled to receive from said excess, if any, its reasonable out-of-pocket costs and expenses incurred in connection with such sale.

(c) Paragraph (a) of this Section 19 to the contrary notwithstanding, if no Event of Default shall have occurred and be continuing and the Lessor shall not have terminated this Lease pursuant to any other provision hereof, the Lessee may, upon written notice delivered to Lessor at least 30 days prior to the Termination Date, rescind its election to terminate this Lease, in which case this Lease shall continue in full force and effect as though no such notice of termination had been given by the Lessee.

#### SECTION 20. Right of First Refusal.

(a) Provided that no Event of Default has occurred and is continuing hereunder, the Lessor agrees that, during the term of this Lease or any extension thereof and for 30 days following the expiration of the term of this Lease or any extension thereof with respect to any Item of Leased Equipment, it will not lease or sell such Item of Leased Equipment unless the Lessor shall have given the Lessee at least 15 Business Days' prior written notice of any intended lease or sale, specifying the rental or sale price and the terms of such lease or sale, and the Lessee shall have the opportunity during said period to lease or purchase such Item of Leased Equipment at the same rental or price and on the same terms as specified in such notice.

(b) In the event the Lessee exercises such right of first refusal to purchase any Item of Leased Equipment, then, upon payment of the purchase price, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Item of Leased

Equipment is free and clear of all claims, liens, security interests and other encumbrances by or in favor of any person claiming by, through or under the Lessor) for such Item of Leased Equipment, and such other documents as may be required to release such Item of Leased Equipment from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

SECTION 21. Performance of Obligations of Lessee by Lessor.

If an Event of Default should occur hereunder, the Lessor may thereafter make the payment or perform or comply with the agreement, the nonpayment, nonperformance or noncompliance with which caused such Event of Default, and the amount of such payment and the amount of the reasonable expenses of the Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest at the Overdue Rate as set forth in Exhibit C, shall be payable by the Lessee upon demand by the Lessor.

SECTION 22. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail prepaid, addressed (a) if to the Lessor, at P.O. Box 30007, Salt Lake City, Utah 84125, Attention: Trust Department, Corporate Division (with copies to (1) Itel Capital Services Corporation, at One Embarcadero Center, San Francisco, California 94111, Attention: Contract Administration, (2) the Trustee, at 130 John Street, New York, New York 10038, Attention: Corporation Trust and Agency Division and (3) each Beneficiary, at its address set forth in Exhibit C hereto), and (b) if to the Lessee, at its address set forth on the signature page hereof.

SECTION 23. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided that no such waiver, alteration, modification, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Indenture or any Supplement.

(b) This Lease, including all agreements, covenants, representations and warranties made herein or in any certificate delivered pursuant hereto, shall be binding upon and inure to the benefit of (1) the Lessor and its successors, assigns, agents, servants and personal representatives, and, (2) each Beneficiary, (3) the Trustee, as assignee and secured party, and the successors, assigns, agents, servants and personal representatives of each Beneficiary and the Trustee as assignee and secured party, (4) any holder of the obligations of the Lessor issued in connection with this

Lease, and (5) the Lessee and its successors and, to the extent permitted hereby, assigns. Without limiting the generality of the foregoing, with respect to the provisions of Sections 6, 8, 13 and 15 hereof, each Beneficiary, the Trustee as assignee and secured party, any holder of obligations of the Lessor issued in connection with this Lease, and the successors, assigns, agents, servants and personal representatives of the foregoing shall each be indemnified thereunder and, with respect to clause (b) of the proviso to Section 13 hereof, the wilful misconduct or gross negligence of the Lessor or any one such person shall not affect the rights of any other person indemnified under such Section 13.

(c) All agreements, indemnities, covenants, representations and warranties contained in this Lease or in any document or certificate delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(d) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(e) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Leased Equipment, except as lessee only.

(f) This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

(g) This Lease shall be construed in accordance with, and shall be governed by, the laws of the State of New York.

(h) Section headings are for convenience only and shall not be construed as part of this Lease.

(i) Although this Lease is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth opposite the signatures hereto, and this Lease shall be effective on the latest of such dates.

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

FIRST SECURITY BANK OF UTAH, N.A.,  
not in its individual capacity, but  
solely as trustee under a Master  
Trust Agreement dated as of October  
1, 1976, between it and Itel Capital  
Services Corporation,  
as Lessor

By \_\_\_\_\_  
Authorized Officer

Date \_\_\_\_\_

SOLTEX POLYMER CORPORATION,  
as Lessee

By M. W. Sadler  
Authorized Officer

Date February 22, 1978

Address: 3333 Richmond Avenue  
Houston, Texas 77098

Attention: R. H. Degreve

STATE OF TEXAS       )  
                              ) ss.:  
COUNTY OF HARRIS    )

On this 22nd day of February 1978, before me personally appeared M. W. Sadler, to me personally known, who being by me duly sworn, said that he is Vice Chairman of SOLTEX POLYMER CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Kathy M. Johnson  
Notary Public  
KATHY M. JOHNSON  
Notary Public in and for Harris County, Texas  
My Commission Expires \_\_\_\_\_

(Notarial Seal)  
My Commission expires 3-17-78

The undersigned hereby certifies that the person executing this Lease on behalf of the Lessee holds the indicated office, was duly elected thereto and at all relevant times has been duly qualified and acting officer of the Lessee.

*W. B. ...*  
Assistant Secretary

Date February 22, 1978

DESCRIPTION OF EQUIPMENT

<u>Groups of Equipment (a)</u>	<u>Quantity (b)</u>	<u>Manufacturer</u>	<u>Identification Number</u>	<u>Description (c)</u>
1	55	ACF Industries	ELTX 838 through 892 inclusive	100-Ton Roller Bearing CF 5701 Center Flow Covered Hopper Cars; AAR Designation LO
1	55	Lithcote Company		Devoe Internal Protective Coating System for the above-described Center Flow Covered Hopper Cars

(a) Except as otherwise expressly provided or as the context shall otherwise require, as used herein, in the Indenture, each Supplement and this Lease and in all certificates and other instruments delivered pursuant hereto and thereto, the terms "Group" and "Group of Equipment" shall refer to the sub-designations described above.

(b) Equipment shall include such additional quantities of Items of Equipment specifically described above as the Lessee shall include in a Certificate of Acceptance; provided, however, that in no event shall the Maximum Financing Cost, Maximum Investment Commitment or Maximum Loan Commitment be exceeded without the express approval of each affected party.

(c) Each Devoe Internal Protective Coating System ("Lining") referred to herein shall be deemed to constitute a separate Item of Equipment solely for purposes of acceptance and funding thereof. For all other purposes under this Lease, the Participation Agreement, the Indenture and each Supplement, each Lining and its respective Hopper Car shall constitute but a single Item of Equipment.

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_

under

Equipment Lease dated as of January 10, 1978 (the Lease) between FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity, but solely as trustee under a Master Trust Agreement dated as of October 1, 1976 between it and Itel Capital Services Corporation as lessor (the Lessor) and SOLTEX POLYMER CORPORATION, as lessee (the Lessee).

1. Items of Equipment

The Lessee hereby certifies that the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item), constituting Items of Equipment of the Group of Equipment indicated below, have been delivered to the location indicated below, tested and inspected by the Lessee, found to be in good order and accepted as Items of Leased Equipment under the Lease, all on the date indicated below:

Group of Equipment:

1

Location of Items of Equipment:

Date of Acceptance:



2. Representations by the Lessee

The Lessee hereby represents and warrants to the Lessor, each Beneficiary, the Trustee, each Long-Term Lender and the Interim Lender, if any, as such terms are defined in the Lease, that on the Date of Acceptance with respect to each Item of Leased Equipment:

(1) the representations and warranties of the Lessee set forth in the Participation Agreement, as such term is defined in the Lease, are true and correct in all material respects on and as of such date as though made on and as of such date;

(2) the Lessee has satisfied or complied with all requirements set forth in the Participation Agreement and in the Lease to be satisfied or complied with on or prior to such date;

(3) no Event of Default under the Lease or event which, with the giving of notice or the lapse of time, or both, would become such an Event of Default has occurred and is continuing; and

(4) the Lessee has obtained, and there are in full force and effect, such insurance policies with respect to such Item of Leased Equipment required to be obtained under the terms of the Lease.

SOLTEX POLYMER CORPORATION,  
as Lessee

By \_\_\_\_\_  
\_\_\_\_\_

Dated: \_\_\_\_\_

Accepted on the Date of Acceptance  
set forth in paragraph 1 above on  
behalf of the Lessor:

FIRST SECURITY BANK OF UTAH, N.A.,  
not in its individual capacity,  
but solely as trustee under a  
Master Trust Agreement dated as  
of October 1, 1976 between it and  
Itel Capital Services Corporation,  
as Lessor

By \_\_\_\_\_  
Authorized Representative

SCHEDULE 1 TO  
CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Description of Equipment and Lessor's Cost:

<u>Quantity</u>	<u>Manufacturer or Seller</u>	<u>Description</u>	<u>Identification Number</u>	<u>New or Used</u>	<u>Lessor's Cost</u>
-----------------	---------------------------------------	--------------------	----------------------------------	------------------------	--------------------------

Total Lessor's Cost

\$ \_\_\_\_\_

EXHIBIT C

Group 1 Equipment  
(18-year Basic Lease Term)

Date of Lease: As of January 10, 1978

Beneficiary: Dial Leasing Corporation  
207 Ninth Street  
Des Moines, Iowa 50307  
Attention: Michael J. Keller, Esq.

Daily Lease  
Rate Factor: 1/360 of the higher of (i) the  
applicable Long-Term Debt Rate set  
forth in the Participation Agreement  
or (ii) 125% of the prime interest  
rate of the Bank of America, National  
Trust & Savings Association (being  
the best per annum rate of interest  
charged by such Bank to its prime  
large commercial customers on short-  
term unsecured borrowings)

Rent  
Commencement Date: The Closing Date on which the appli-  
cable Item shall have been paid for  
by the Lessor

Basic Rent Dates: The fifteenth day of each month

Expiration Date: January 15, 1997

First Delivery Date: February 1, 1978

Final Delivery Date: December 31, 1978

Interim Rent Date: January 15, 1979

First  
Basic Rent Date: February 15, 1979

Last  
Basic Rent Date: January 15, 1997 ✓

First Termination Date: January 15, 1994

Basic Lease Rate Factor: 0.7320%

Overdue Rate: One per cent in excess of the applicable Long-Term Debt Rate set forth in the Participation Agreement.

Lease Extension Periods: A maximum of 4 periods of 2 years each.

Equipment Marking: FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity, but solely as trustee: Lessor and Owner; UNITED STATES TRUST COMPANY OF NEW YORK, not in its individual capacity, but solely as trustee: Secured Party and Lienholder.

Return of Equipment: The Lessee shall, at its own expense, return each Item of Leased Equipment to the Lessor at such location, within a radius of 1,000 miles of the point of delivery of such Item, as the Lessor shall select.

Investment Credit: 10%

Depreciable Life: A 12-year depreciable life pursuant to section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25.

Depreciation Method: Double declining balance method switching to the sum-of-the-years digits method without the prior consent of the Commissioner of Internal Revenue utilizing either the "modified half-year" or "half-year"

EXHIBIT C to  
EQUIPMENT  
LEASE  
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convention pursuant to Reg. section 1.167(a)-11(c)-(2) and taking into account the Salvage Value of the Leased Equipment.

Salvage Value:

An amount equal to 10% of the Lessor's Cost of the Leased Equipment, which amount will be reduced by 10% of the Lessor's Cost as provided in section 167(f) of the Code.

EXHIBIT D  
Group 1 Equipment

The Casualty Value and Termination Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

<u>Interim Rent Date and Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
Interim Rent Date	89.6732	
1	89.8965	
2	90.1224	
3	90.3509	
4	90.5515	
5	90.7544	
6	90.9292	
7	91.1061	
8	91.2850	
9	91.4357	
10	91.5881	
11	91.7425	
12	91.8682	
13	91.9955	
14	92.1245	
15	92.2552	
16	92.3580	
17	92.4622	
18	92.5384	
19	92.6157	
20	92.6942	
21	92.7444	
22	92.7954	
23	92.8474	
24	92.8707	
25	92.8947	
26	92.9194	
27	92.9446	
28	92.9450	
29	92.9458	
30	92.9214	
31	92.8971	
32	92.8730	
33	92.8235	
34	92.7739	
35	92.7243	
36	92.6490	
37	92.5733	
38	92.4974	
39	92.4211	
40	92.3228	

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<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
41	92.2240	
42	92.1031	
43	91.9813	
44	91.8588	
45	91.7139	
46	91.5680	
47	91.4211	
48	91.2515	
49	91.0807	
50	90.9087	
51	90.7354	
52	90.5432	
53	90.3496	
54	90.1369	
55	89.9226	
56	89.7066	
57	89.4729	
58	89.2374	
59	89.0000	
60	88.7607	
61	88.5195	
62	88.2764	
63	88.0314	
64	87.7844	
65	87.5355	
66	87.2846	
67	87.0317	
68	86.7769	
69	86.5200	
70	86.2610	
71	86.0001	
72	85.7370	
73	85.4719	
74	85.2047	
75	84.9353	
76	84.6639	
77	84.3902	
78	84.1145	
79	83.8365	
80	83.5563	

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<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
81	83.2740	
82	82.9893	
83	82.7025	
84	82.4133	
85	82.1219	
86	81.8281	
87	81.5321	
88	81.2337	
89	80.9329	
90	80.6298	
91	80.3242	
92	80.0162	
93	79.7058	
94	79.3930	
95	79.0776	
96	78.7598	
97	78.4394	
98	78.1165	
99	77.7911	
100	77.4631	
101	77.1324	
102	76.7992	
103	76.4633	
104	76.1248	
105	75.7836	
106	75.4397	
107	75.0930	
108	74.7437	
109	74.3915	
110	74.0366	
111	73.6788	
112	73.3182	
113	72.9548	
114	72.5885	
115	72.2193	
116	71.8471	
117	71.4721	
118	71.0940	
119	70.7130	
120	70.3289	



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<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
121	69.9418	
122	69.5517	
123	69.1584	
124	68.7620	
125	68.3625	
126	67.9599	
127	67.5540	
128	67.1449	
129	66.7327	
130	66.3171	
131	65.8982	
132	65.4760	
133	65.0505	
134	64.6216	
135	64.1894	
136	63.7536	
137	63.3145	
138	62.8719	
139	62.4257	
140	61.9761	
141	61.5228	
142	61.0660	
143	60.6056	
144	60.1415	
145	59.6758	
146	59.2084	
147	58.7394	
148	58.2686	
149	57.7962	
150	57.3220	
151	56.8461	
152	56.3685	
153	55.8891	
154	55.4080	
155	54.9251	
156	54.4403	
157	53.9539	
158	53.4658	
159	52.9759	
160	52.4842	

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<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
161	51.9908	
162	51.4957	
163	50.9987	
164	50.5000	
165	49.9994	
166	49.4969	
167	48.9927	
168	48.4865	
169	47.9787	
170	47.4690	
171	46.9575	
172	46.4442	
173	45.9291	
174	45.4122	
175	44.8934	
176	44.3727	
177	43.8502	
178	43.3257	
179	42.7994	
180	42.2711	33.0014
181	41.7410	32.7566
182	41.2090	32.1646
183	40.6752	31.5702
184	40.1395	30.9735
185	39.6019	30.3744
186	39.0624	29.7729
187	38.5210	29.1690
188	37.9777	28.5627
189	37.4324	27.9539
190	36.8851	27.3427
191	36.3359	26.7290
192	35.7846	26.1127
193	35.2302	25.4928
194	34.6725	24.8691
195	34.1116	24.2416
196	33.5474	23.6103
197	32.9799	22.9752
198	32.4091	22.3362
199	31.8349	21.6933
200	31.2573	21.0464

<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
201	30.6763	20.3957
202	30.0918	19.7409
203	29.5039	19.0821
204	28.9215	18.4282
205	28.3342	17.7688
206	27.7419	17.1040
207	27.1448	16.4337
208	26.5639	15.7790
209	25.9781	15.1190
210	25.4088	14.4747
211	24.8348	13.8252
212	24.2560	13.1703
213	23.6938	12.5314
214	23.1269	11.8872
215	22.5555	11.2378
216	20.0000	.0000

and thereafter

(a) Casualty Values and Termination Values are expressed as a percentage of Lessor's Cost. Such percentages have been computed without regard to recapture of Investment Credit. Consequently, such percentages applicable on the Interim Rent Date or any Basic Rent Date where a Casualty Value and Termination Value shall be payable with respect to an Event of Loss or Termination Date occurring before the third, fifth or seventh anniversary of the date of acceptance set forth in the Certificate of Acceptance for such Item shall be increased by the percentage of Lessor's Cost set forth below, and for purposes of this Lease, Casualty Values and Termination Values payable on such dates shall be determined on the basis of the sum of such percentages:

<u>Anniversary of the Date of Acceptance</u>	<u>Percentage of Lessor's Cost To be Added to the Foregoing Percentage</u>
Third	20.4082%
Fifth	13.6054%
Seventh	6.8027%

(b) In the event the Basic Lease Rate Factor is increased, pursuant to the tax indemnification provisions set forth in Section 15 of the Lease, Casualty Values and Termination Values will be adjusted accordingly.

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EQUIPMENT LEASE

Dated as of January 10, 1978

Between

FIRST SECURITY BANK OF UTAH, N.A.  
not in its individual capacity,  
but solely as trustee under a  
Master Trust Agreement dated as of  
October 1, 1976 between it and  
Iitel Capital Services Corporation,  
as Lessor

and

SOLTEX POLYMER CORPORATION,  
as Lessee

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Certificate of Acceptance

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Group 1 Equipment

EXHIBIT D  
Group 1 Equipment

## EQUIPMENT LEASE

THIS EQUIPMENT LEASE, dated as of the date set forth in Exhibit C hereto (the Lease), between FIRST SECURITY BANK OF UTAH, N.A., a national banking association, not in its individual capacity, but solely as trustee (the Lessor) under a Master Trust Agreement dated as of October 1, 1976 between it and Itel Capital Services Corporation, and the entity named as "Lessee" on the signature page hereof (the Lessee).

### W I T N E S S E T H :

#### SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires:

(a) All references in this instrument to designated Sections and other subdivisions are to designated Sections and other subdivisions of this Lease, and the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Section or other subdivision;

(b) The terms defined in this Section 1 or elsewhere in this Lease shall have the meanings assigned to them in this Section 1 or elsewhere and include the plural as well as the singular;

(c) Except as otherwise indicated, all the agreements or instruments hereinafter defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof;

(d) The following terms shall have the following meanings for all purposes of this Lease:

(1) Appraisal shall mean a procedure whereby two independent appraisers, neither of whom shall be a manufacturer of the Item of Leased Equipment for which Appraisal is required, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers as described above, the two appraisers are unable to agree upon the amount in question, a third independent appraiser, who shall not be a manufacturer of such Item, shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the

third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and such decision shall be binding and conclusive on the Lessor and the Lessee. The Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them and shall share equally the fees and expenses of the third appraiser, if any.

(2) Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

(3) Beneficiary, Daily Lease Rate Factor, Rent Commencement Date, Basic Rent Dates, Basic Lease Rate Factor, Expiration Date, First Delivery Date, Final Delivery Date, Interim Rent Date, First Basic Rent Date, Last Basic Rent Date, Depreciable Life, Depreciation Method, Salvage Value, Investment Credit, Overdue Rate, Lease Extension Periods, Return of Equipment and Equipment Marking shall have the meanings with respect to each Group of Equipment set forth in Exhibit C hereto.

(4) Business Day shall have the meaning set forth in the Participation Agreement.

(5) Casualty Value and, if such term shall be applicable to this Lease, Termination Value shall have the meanings with respect to each Group of Equipment set forth in Exhibit D hereto.

(6) Certificate of Acceptance shall mean a certificate of acceptance substantially in the form of Exhibit B hereto.

(7) Closing Date shall have the meaning set forth in the Participation Agreement.

(8) Equipment, and individually an Item or Item of Equipment, shall mean the items of equipment described in Exhibit A hereto.

(9) Fair Market Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the aggregate amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than: (i) a lessee currently in possession, or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value and all alternative uses in the hands of such buyer or user, including without limitation, the further leasing of such Item of Leased Equipment, shall be taken into account in making such determination. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Leased Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.



(10) First Termination Date, if such term shall be applicable to this Lease, shall have the meaning with respect to each Group of Equipment set forth in Exhibit C hereto.

(11) Group of Equipment and Lessor's Cost shall have the meanings set forth in the Certificate of Acceptance with respect to each Item of Leased Equipment.

(12) Indenture shall mean the Trust Indenture dated as of October 1, 1976 between United States Trust Company of New York, a New York corporation, not in its individual capacity, but solely as trustee thereunder (the Trustee), and the Lessor.

(13) Leased Equipment, and individually an Item of Leased Equipment, shall have the meanings set forth in Section 2 hereof.

(14) Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Leased Equipment.

(15) Participation Agreement shall mean the agreement, dated as of the date hereof, among the Lessee, the Lessor, the Trustee, each Beneficiary and each entity named therein as Interim Lender or Long-Term Lender.

(16) Purchase Documents shall mean those documents defined as purchase documents in the Participation Agreement.

(17) Supplement shall mean each supplement to the Indenture creating a separate series of the Notes.

## SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease, the Lessor hereby agrees to lease to the Lessee and the Lessee hereby agrees to lease from the Lessor such Items of Equipment as shall be described in one or more Certificates of Acceptance executed and delivered on behalf of the Lessor with respect thereto and as shall have been delivered and accepted on or after the First Delivery Date but on or before the Final Delivery Date (Leased Equipment, and individually an Item of Leased Equipment). Subject to the provisions of the Participation Agreement, upon delivery of each Item of Equipment to the Lessor, the Lessee will cause an authorized representative of the Lessee to inspect the same and, if such Item of Equipment is found to be in good order, to accept such Item of Equipment and to execute and deliver a Certificate of Acceptance with respect thereto, whereupon, but also subject to the provisions of the Participation Agreement, such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject to the terms and conditions of this Lease.

SECTION 3. Term and Rent.

(a) The term of this Lease as to each Item of Leased Equipment included in a Group of Equipment shall begin on its date of acceptance, as set forth in the Certificate of Acceptance executed and delivered with respect thereto, and shall end on the Expiration Date with respect to such Group of Equipment, unless this Lease shall have been terminated, or the term of this Lease with respect to such Group of Equipment shall have been extended, by the terms hereof.

(b) The Lessee shall pay to the Lessor as Basic Rent (herein referred to as Basic Rent) for each Item of Leased Equipment subject to this Lease, the following:

(1) on the Interim Rent Date, an amount equal to the Daily Lease Rate Factor, if any, multiplied by the Lessor's Cost of such Item, for each day elapsed from and including the Rent Commencement Date with respect to such Item to but excluding the Interim Rent Date;

(2) on the First Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item; and

(3) on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with all Basic Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent, Casualty Value and Termination Value, if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value or Termination Value, if any; and

(3) to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of twelve 30-day months) at the Overdue Rate on any payment of Basic Rent, Casualty Value or Termination Value, if any, not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent (including, without limitation, interest payable under this clause (3), but excluding payments of Casualty Value or Termination Value, if any) not paid when demanded hereunder for the period from the date of such demand until the date on which the same shall be paid.

(d) Subject to the provisions of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds on the date payable hereunder, and shall be paid to the Lessor at its address set forth herein or at such other address as the Lessor may direct by notice in writing to the Lessee.

#### SECTION 4. Net Lease.

This Lease is a net lease and the Lessee acknowledges and agrees that the Lessee's obligation to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatements) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, or against the manufacturer or seller of any Item of Leased Equipment. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Leased Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by any private person, corporation or governmental authority, or the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

#### SECTION 5. Return of Equipment.

(a) Upon the expiration or termination of this Lease with respect to a Group of Equipment, the Lessee, at its own expense, will return the Items of Leased Equipment then subject to this Lease which are included in such Group of Equipment to the Lessor in the condition in which such Leased Equipment is required to be maintained pursuant to Section 9 hereof and, except as otherwise provided in the succeeding paragraph (b), pursuant to the instructions set forth under the heading Return of Equipment in Exhibit C to this Lease. Such Leased Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens, security interests, charges, encumbrances and claims (Liens), other than Liens either (a) resulting from voluntary action by the Lessor without the prior approval of the Lessee and not taken as the result of any default by the Lessee, or (b) resulting from claims against the Lessor not related to the Lessor's ownership of the Leased Equipment (Liens described in clauses (a) and (b) above being herein referred to as Lessor's Liens).

(b) Upon the termination of this Lease in accordance with Section 18 hereof, the Lessee, at its own cost, expense and risk shall (a) forthwith and in the usual manner (including, without limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Item has been interchanged, to return such Item so interchanged) place the Leased Equipment upon such storage tracks as the Lessor may reasonably designate, (b) permit the Lessor to store the Leased Equipment on such tracks at the risk of the Lessee without charge for insurance, rent or storage until the Leased Equipment shall have been sold, leased or otherwise disposed of by the Lessor and (c) transport the Leased Equipment to any connecting carrier for shipment, all as directed by Lessor. During any such storage period, the Lessee's obligations under Sections 9, 10 and 12 shall remain in full force and effect notwithstanding the termination of this Lease.

SECTION 6. Warranties of the Lessor.

(a) The Lessor warrants that during the term of this Lease, if no Event of Default has occurred, the Lessee's use of the Leased Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranties set forth in paragraph (a) of this Section are in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Leased Equipment; and the Lessor shall not be deemed to have made, and the LESSOR HEREBY DISCLAIMS ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE LEASED EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE LEASED EQUIPMENT OR CONFORMITY OF THE LEASED EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Event of Default shall have occurred hereunder and be continuing, all of the Lessor's rights under any applicable manufacturer's or seller's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify and shall hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Leased Equipment to the condition required by Section 9 hereof. In the event the amount so received exceeds that which is necessary to (i) restore the Leased Equipment in accordance with the preceding sentence, and (ii) make the Lessor whole with respect to any damages which it has sustained as a result of such breach of warranty, the Lessee shall be entitled to receive from said excess its reasonable out-of-pocket costs and expenses incurred in asserting the Lessor's rights together

with an amount equal to any damages sustained by the Lessee and arising out of such breach, with the balance to be paid over to the Lessor.

#### SECTION 7.     Liens.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to the Leased Equipment, the Lessor's title thereto or any interest therein (and the Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Lessor's Liens, (c) Liens for taxes either not yet due or being contested in good faith and by appropriate proceedings, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings do not, in the opinion of such counsel, adversely affect the title, property, or rights of the Lessor, (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent, and (e) Liens granted by the Lessor to any assignee or security assignee of the Lessor.

#### SECTION 8.     Taxes.

The Lessee agrees to pay and to indemnify the Lessor for, and hold the Lessor harmless from and against, all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease and imposed against the Lessor, the Lessee or the Leased Equipment by any federal, state, local or foreign government or taxing authority upon or with respect to the Leased Equipment or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, taxes on and measured solely by the net income of the Lessor) unless, and only to the extent that, the Lessee shall have given to the Lessor written notice of any such Imposition, which notice shall state that such Imposition is being contested by the Lessee in good faith and by appropriate proceedings and counsel for the Lessor shall have determined that the nonpayment thereof or the contest thereof in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under this Section 8 or arising out of this Section 8, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Leased Equipment in the Lessor and send a copy of such report or return to the Lessor or will notify the Lessor of

such requirement and make such report or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

SECTION 9. Use, Maintenance and Operation; Identifying Marks.

(a) The Lessee agrees that the Leased Equipment will be used or is intended for use, in connection with interstate commerce and will be used in compliance with any and all statutes, laws, ordinances and regulations of any governmental agency applicable to the use of the Leased Equipment, and, subject to the provisions of Section 14 hereof, will at all times be used solely in the conduct of its business and be and remain in the possession and control of the Lessee within the geographic limits of the continental United States; provided, however, that the Lessee may use or permit the use of Items of Leased Equipment having an aggregate Lessor's Cost not in excess of 15% of the aggregate Lessor's Cost of all Leased Equipment then subject to this Lease, outside the geographic limits of the continental United States in interchange in the normal course of its business. Throughout the term of this Lease, the possession, use and maintenance of the Leased Equipment shall be at the sole risk and expense of the Lessee.

(b) The Lessee shall use the Items of Leased Equipment only in the manner for which they were designed and intended and will, at its own cost and expense, repair and maintain each Item of Leased Equipment so as to keep it in as good condition as when delivered to the Lessee hereunder, ordinary wear and tear excepted. In connection therewith, the Lessee shall provide the Lessor with an annual certificate, executed by an officer of the Lessee and confirming to the Lessor that the Leased Equipment is being maintained in accordance with the provisions of this Section 9(b).

(c) Except as set forth in paragraph (d) below, the Lessee shall be entitled from time to time during the term of this Lease, to acquire and install on any Item of Leased Equipment at the Lessee's expense, such additional features or options as may be available at such time with respect to such Item, and such additional features and options shall not be considered accessions to such Item and title thereto shall remain in the Lessee except as provided in the last sentence of this paragraph (c). Such additional features or options shall be removed by the Lessee before such Item is returned to the Lessor, and the Lessee shall repair all damage to such Item resulting from such installation and removal so as to restore such Item to the condition in which it existed prior to the installation of such additional features or options. Any such additional features and options not so removed shall be considered accessions to such Item and shall become the property of the Lessor.

(d) The Lessee will not, without the prior written consent of the Lessor, which consent shall not be unreasonably withheld and which consent shall not be withheld if such accessory, equipment or device is required by applicable law or governmental regulation, affix or install any accessory, equipment or device on any Item of Leased Equipment leased

hereunder which will either impair the originally intended function or use of any such Item or constitute an improvement or addition to such Item of Leased Equipment which is not, within the meaning of any law, regulation or procedure then in effect, readily removable without causing material damage to such Item of Leased Equipment. Only such accessories, equipment and devices which are not readily removable without material damage shall upon attachment or affixation become the property of the Lessor and thereupon all such accessories, equipment and devices shall become a part of the Leased Equipment leased hereunder. The replaced parts shall no longer be the property of the Lessor.

(e) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Leased Equipment to be kept numbered with the identification or serial number therefor as specified in the Certificate of Acceptance therefor and (2) maintain the Equipment Marking on each Item of Leased Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Equipment, the rights of the Lessor under this Lease and the Lien granted by the Lessor in financing the Lessor's Cost of the Leased Equipment. The Lessee will not place any Item of Leased Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

#### SECTION 10. Inspection.

The Lessor shall have the right, but not the duty, to inspect the Leased Equipment. Upon the request of the Lessor, the Lessee shall, at any reasonable time, make the Leased Equipment, and the Lessee's records pertaining to the Leased Equipment, available to the Lessor for inspection.

#### SECTION 11. Loss or Destruction; Requisition of Use.

(a) In the event that any Item of Leased Equipment shall be or become damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or title thereto shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (Requisition of Use), or any Item of Leased Equipment is returned to the manufacturer or seller thereof pursuant to the patent indemnity provisions of the Purchase Documents, such fact shall promptly be reported by the Lessee to the Lessor.

(b) The Lessee shall determine, within 15 days after the date of occurrence of any such damage or wearing out, whether such Item of Leased Equipment can be repaired or replaced.

(c) In the event the Lessee determines that such Item cannot be repaired or replaced or in the event of such destruction, loss, theft, unfitness for use, Requisition of Use for a stated period which exceeds the

term of this Lease, or permanent return of such Item to the manufacturer or seller thereof without replacement thereof (any of such occurrences being referred to as an Event of Loss), the Lessee shall promptly notify the Lessor of such Event of Loss. On the Basic Rent Date next following the date of such Event of Loss, the Lessee shall pay to the Lessor the Casualty Value of such Item, determined as of such Basic Rent Date, together with any Rent then due. In the event the Lessee determines that such Item can be repaired or replaced, the Lessee shall continue to make all payments of Basic Rent due with respect to such Item and shall (1) cause such Item to be repaired or replaced within 90 days after the occurrence of such damage or wearing out, and (2) in the event of replacement, take such action as may be required under and pursuant to the Indenture to perfect, protect and preserve any security interests created by the Lessor under and pursuant to the Indenture; provided, however, that if the Lessee shall, within such 90-day period, have commenced the repair or replacement of such Item and be diligently pursuing such repair or replacement, but is prevented from completing such repair or replacement within such 90-day period due to causes beyond the Lessee's control, then the time for repair or replacement shall be extended by the number of days necessary to complete such repair or replacement up to a maximum of 90 additional days, and further provided, that if the Lessee shall fail to repair or replace such Item within such repair or replacement period (including any extension thereof) an Event of Loss shall be deemed to have occurred and the Lessee shall, on the Basic Rent Date next following the end of such repair or replacement period, pay to the Lessor the Casualty Value of such Item, determined as of such Basic Rent Date, together with any Rent then due. If at such time no more Basic Rent is or will become payable under this Lease, the Casualty Value shall be paid within 30 days following, as appropriate, the Event of Loss or the repair or replacement period. The obligation of the Lessee to pay Rent during the above-described replacement or repair period shall remain in full force and effect. Notwithstanding the foregoing, the Lessee, pursuant to the provisions of Section 15 hereof, shall still be required to indemnify the Lessor for any Loss, as defined in Section 15 hereof, due to the Lessee's act of replacing an Item of Leased Equipment authorized hereby. Upon making such Casualty Value payment in respect of such Item and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item, and to pay Rent for all other Items of Leased Equipment shall remain unchanged. Except in the case of loss, theft, destruction, or return to the manufacturer or seller, the Lessor shall be entitled to recover possession of such Item, unless possession of such Item is required to be delivered to an insurance carrier (other than the Lessee) in order to settle an insurance claim arising out of the Event of Loss. The Lessor shall be entitled to retain any salvage value collected by such insurance carrier in excess of the amount paid to the Lessor by said insurance carrier. The Lessor shall be under no duty to Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor. Any replacement Item installed by the Lessee in accordance with the provisions of this



Section 11(c) shall be in as good operating condition as, and shall have a value and utility at least equal to, the Item replaced, assuming the Item replaced was in the condition and state of repair required to be maintained by the terms hereof.

(d) Following payment of the Casualty Value of an Item of Leased Equipment in accordance with the provisions of Section 11(c); the Lessee shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. As to each separate Item so disposed of, the Lessee may, after paying the Lessor the amounts specified in Section 11(c), retain all amounts of such price, plus damages received by the Lessee by reason of such Event of Loss, up to the Casualty Value and the Lessee's reasonable costs and expenses of disposition attributable thereto, and shall remit the excess, if any, to the Lessor. As to each Item of Leased Equipment returned to the manufacturer or seller thereof in the manner described in Section 11(a) and not replaced or modified by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Documents, the Lessor agrees that the Lessee shall receive and retain all amounts payable to the Lessor by the manufacturer or seller for the return of such Item, up to the Casualty Value paid by the Lessee hereunder and the Lessee's reasonable costs and expenses attributable thereto, and any excess shall be paid over to or retained by the Lessor. As to each Item of Leased Equipment modified and each replacement Item installed by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Documents, the Lessor and the Lessee agree that such modified Item or replacement Item shall be delivered to the Lessee and shall, without any further act of the Lessor or the Lessee, be considered an Item for all purposes of this Lease.

(e) Except as hereinabove in this Section 11 provided, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage or Event of Loss to any Item of Leased Equipment after delivery to and acceptance by the Lessee hereunder.

(f) In the case of a Requisition of Use of any Item of Leased Equipment for an indefinite period or for a stated period which does not exceed the term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item, and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums received by reason of any such Requisition of Use, up to the amount of the Basic Rent paid by the Lessee during the period of such Requisition of Use.

## SECTION 12. Insurance.

At its own expense, the Lessee will cause to be carried and maintained casualty insurance with respect to each Item of Leased Equipment

and public liability insurance, in each case in amounts and against risks customarily insured against by the Lessee on similar equipment owned by it. Any policies with respect to such insurance shall be with an insurance carrier acceptable to the Lessor and, if requested by the Lessor, shall name the Lessor, the Trustee (as assignee and secured party) and the Lessee as assureds and loss payees, as their interests may appear, and shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor in the event of cancellation or expiration. The Lessee shall, upon request of the Lessor, furnish appropriate evidence of such insurance.

### SECTION 13. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability), actions, suits, costs, expenses and disbursements (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other person, in any way relating to or arising out of this Lease or any document contemplated hereby or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, registration, sale, return, storage or disposition of any Item of Leased Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent, trademark or copyright infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claim in respect of any Item of Leased Equipment arising from acts or events which occur after possession of such Item of Leased Equipment has been redelivered to the Lessor, or (b) any Claim resulting from acts which would constitute the wilful misconduct or gross negligence of the Lessor. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 13, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. The Lessee agrees that the Lessor shall not be liable to the Lessee for any Claim caused directly or indirectly by the inadequacy of any Item of Leased Equipment for any purpose or any deficiency or defect therein or the use or maintenance thereof or any repairs, servicing or adjustments thereto or any delay in providing or failure to provide any thereof or any interruption or loss of service or use thereof or any loss of business, all of which shall be the risk and responsibility of the Lessee. The rights and indemnities of the Lessor hereunder are expressly made for the benefit of, and shall be

enforceable by, the Lessor notwithstanding the fact that the Lessor is either no longer a party to this Lease, or was not a party to this Lease at its outset.

SECTION 14.     Sublease.

The Lessee will not, without the prior written consent of the Lessor, which consent will not be unreasonably withheld or unreasonably delayed, sublet or otherwise relinquish possession of any of the Leased Equipment (except by way of interchange in the normal course of its business) or assign any of its rights hereunder; provided, however, that without such consent, the Lessee, so long as no event which, with the giving of notice or lapse of time or both, would become an Event of Default shall have occurred hereunder and be continuing, may sublease any Item of Leased Equipment (i), upon written notice to the Lessor, to any member of the consolidated group of companies of which Lessee is a member and (ii) upon prior written notice to the Lessor, to any person for a period or periods not in excess of an aggregate of 90 days in any successive 12 month period. No sublease shall be permitted hereunder unless (a) the rights of the sublessee thereunder are expressly subject and subordinate to the rights of the Lessor and any security assignee of the Lessor, and (b) except as otherwise provided in the proviso to the first sentence of Section 9(a) hereof, the Items of Leased Equipment to be subleased shall be used within the geographic limits of the continental United States. No sublease, other relinquishment of the possession of any of the Leased Equipment, or assignment by the Lessee of any of its rights hereunder shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder.

SECTION 15.     Tax Indemnification.

(a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided to an owner of property including, without limitation:

(i) unless otherwise provided in Exhibit C hereto, the investment tax credit (Investment Credit) allowed by section 38 and related sections of the Internal Revenue Code of 1954, as amended (Code), in an amount equal to the percentage set forth in Exhibit C hereto of the Lessor's Cost of each Item of Leased Equipment;

(ii) the deduction for accelerated depreciation (Depreciation Deduction) on each Item of Leased Equipment under various sections of the Code based upon the Depreciable Life, Depreciation Method and Salvage Value set forth in Exhibit C hereto;

(iii) the deduction under section 163 of the Code (Interest Deduction) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor in financing its purchase of each Item of Leased Equipment.

(b) If the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Lessor, all or any portion of the Investment Credit, the Interest Deduction or the Depreciation Deduction as is provided to an owner of property with respect to any Item of Leased Equipment (Loss), then the Basic Lease Rate Factor applicable to such Item of Leased Equipment shall, on and after the next succeeding Basic Rent Date, after written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Item as, in the reasonable opinion of the Lessor, will cause the Lessor's net return over the term of the Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all of the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item, and the Lessee shall forthwith pay to the Lessor the amount of any interest and penalties which may be assessed by the United States or any State against the Lessor attributable to the Loss.

(c) For purposes of this Section 15, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Leased Equipment) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. With respect to any Item of Leased Equipment, the Lessor shall be responsible for, and shall not be entitled to a payment under this Section 15 on account of, any Loss due to one or more of the following events: (i) a disqualifying disposition due to the sale of such Item of Leased Equipment or the lease thereof by the Lessor prior to any default by the Lessee, or (ii) a failure of the Lessor to timely or properly claim the Investment Credit, Interest Deduction or Depreciation Deduction for such Item of Leased Equipment in the tax return of the Lessor, or (iii) a disqualifying change in the nature of the Lessor's business or the liquidation thereof, or (iv) a foreclosure by any person holding through the Lessor of a lien on such Item of Leased Equipment, which foreclosure results solely from an act of the Lessor, or (v) any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value or Termination Value of such Item, if such Casualty Value or Termination Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section 15, or (vi) the failure of the Lessor to have sufficient liability for tax against which to apply such Investment Credit or taxable income against which to apply such Depreciation Deduction or Interest Deduction.

(d) In the event and to the extent that the cost of any improvement or addition (Capital Expenditure) to any Item of Leased Equipment made by the Lessee, is required to be included in the gross income of the Lessor for federal income tax purposes, then the Lessee shall pay to the Lessor on each Basic Rent Date thereafter, commencing with the first Basic Rent Date following the date on which the Lessee is required to furnish written notice of such inclusion to the Lessor pursuant to the succeeding paragraph (e), such amount which (after deduction of all taxes required to be paid by the Lessor on receipt thereof under the laws of the United States or any

political subdivision thereof), when taken together with the amount of Basic Rent due on each such date will, in the reasonable opinion of the Lessor, cause the Lessor's net return over the term of the Lease in respect of such Item to equal the net return that would have been available if the cost of such Capital Expenditure had not been includable in the Lessor's gross income, and the Casualty Values and Termination Values payable with respect to such Item shall be adjusted in amounts calculated in a similar such manner by the Lessor.

(e) For purposes of the preceding paragraph (d), the cost of any Capital Expenditure made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor for federal income tax purposes", if such inclusion is required by (i) any private ruling letter issued to the Lessor by the Internal Revenue Service that has not been revoked or otherwise rendered inapplicable at the time the cost of such Capital Expenditure is incurred, (ii) any provision of the Code or the applicable regulations thereunder, or (iii) any published revenue ruling or revenue procedure of the Internal Revenue Service which has not been held invalid by a court having ultimate appellate jurisdiction over the federal income tax liability of the Lessor. The Lessee shall, within 30 days after December 31 (or, if the Lessee's fiscal year end occurs on some other date, within 30 days of such other date) in each year in which the Lessee has made any Capital Expenditure which is required to be included in the gross income of the Lessor for federal income tax purposes, give written notice thereof to the Lessor describing such Capital Expenditure in reasonable detail and specifying the cost thereof.

(f) All of the Lessor's rights and privileges arising from the indemnities contained in this Section 15 shall survive the expiration or other termination of this Lease with respect to any or all Items of Leased Equipment and such indemnities are expressly made for the benefit of and shall be enforceable by the Lessor, its successors and assigns.

#### SECTION 16. Lease Extension.

(a) Provided that this Lease has not been terminated and provided that no Event of Default has occurred and is continuing hereunder, the Lessee shall have the option to extend the term of this Lease with respect to any Group of Equipment at the Expiration Date with respect to such Group of Equipment for such Lease Extension Periods as are provided for in Exhibit C hereto for a rental equal to the Fair Market Rental Value thereof determined as of such Expiration Date.

(b) Not less than 180 days prior to the Expiration Date with respect to such Group, the Lessee may indicate, by written notice to the Lessor, the Lessee's interest in exercising the Lessee's lease extension option described above, which notice shall set forth the Lessee's estimate of the Fair Market Rental Value of such Group of Equipment as of such Expiration Date. If, on or before a date 125 days prior to such Expiration Date, the Lessor and the Lessee are unable to agree upon a determination of

the Fair Market Rental Value of such Group of Equipment, such Fair Market Rental Value shall be determined in accordance with the procedure for Appraisal. After a determination of the Fair Market Rental Value of such Group of Equipment has been made in accordance with the procedure described above, the Lessee may exercise its option to extend the term of this Lease with respect to said Group of Equipment for the Fair Market Rental Value thereof by delivering written notice of such exercise to the Lessor not less than 60 days prior to the Expiration Date with respect to such Group.

(c) Fair Market Rental Value shall be determined on the basis of and shall mean the aggregate amount which would be obtainable in an arm's-length transaction between an informed and willing lessee and an informed and willing lessor under no compulsion to lease.

#### SECTION 17. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under the Lease (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Lessee shall fail to make any payment of Rent within 10 days after the same shall become due; or

(b) The Lessee shall fail to perform or observe any other covenant, condition, or agreement to be performed or observed by it under this Lease or any agreement, document or certificate delivered by the Lessee in connection herewith, and such failure shall continue for 20 days after written notice thereof from the Lessor to the Lessee; or

(c) Any representation or warranty made by the Lessee in this Lease or the Participation Agreement or in any document or certificate furnished to the Lessor in connection herewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(d) A petition in bankruptcy shall be filed by the Lessee, or the Lessee shall make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver; or a trustee or a receiver shall be appointed for the Lessee, for any Item of Leased Equipment or for a substantial part of its property without its consent and shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee and shall not be dismissed for a period of 60 days; or

(e) The Lessee shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material

real or personal property, and the applicable grace period with respect thereto shall have expired and the obligations shall not be contested in good faith; or

(f) The Lessee shall attempt to remove, sell, transfer, encumber, part with possession of, assign or sublet (except as expressly permitted by the provisions of this Lease) any Item of Leased Equipment.

SECTION 18. Remedies.

(a) Upon the occurrence of any Event of Default, the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Leased Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Leased Equipment to the possession of the Lessor at the place and in the condition required upon the return thereof pursuant to and in accordance with Section 5(b) hereof, or the Lessor, at its option, may enter upon the premises where the Leased Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Casualty Value of the Leased Equipment then subject to this Lease, computed as of the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default. Following the return of the Leased Equipment to the Lessor pursuant to this paragraph (2), the Lessor shall proceed to sell the Leased Equipment in such manner as it shall deem appropriate. The proceeds of such sale shall be applied by the Lessor (A) first, to all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor as a result of the default and the exercise of its remedies with respect thereto, and (B) second, to reimburse the Lessee for the Casualty Value to the extent previously paid by the Lessee as liquidated damages. Any surplus remaining thereafter shall be retained by the Lessor. To the extent that the Casualty Value has become due but not been previously paid, the Lessee shall forthwith pay to the Lessor the sum of (i) the amount by which (X) the sum of (a) the Casualty Value thereof, and (b) the amount payable under

clause (A) of the preceding sentence, exceeds (Y) the sale price of the Leased Equipment, and (ii) interest at the Overdue Rate on the full amount of the Casualty Value, computed from the date the Casualty Value is payable hereunder until such Casualty Value is paid by the Lessee.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

#### SECTION 19. Voluntary Termination.

(a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right, at any time on or after the First Termination Date, on at least 180 days' prior written notice to the Lessor, to terminate this Lease on any Basic Rent Date thereafter (other than the Last Basic Rent Date) with respect to all, but not less than all, Items of Leased Equipment subject to this Lease if such Items shall have become obsolete or surplus to the Lessee's requirements. Such termination shall be effective on the Basic Rent Date specified in such notice (hereinafter called the Termination Date). During the period from the giving of such notice until the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of such Items of Leased Equipment. The Lessee shall certify to the Lessor in writing the amount of each bid received by the Lessee and the name and address of the party submitting such bid. The Lessee may utilize agents for purposes of fulfilling its obligations set forth in this Section 19. On the Termination Date, the Lessor shall sell such Items of Leased Equipment without recourse or warranty, for cash, to whomsoever shall have submitted the highest bid prior to such date, and thereupon the Lessee shall deliver such Items of Leased Equipment so sold to the purchaser in the condition specified in this Lease. If no sale of such Items of Leased Equipment takes place on the Termination Date, this Lease shall continue in full force and effect as to such Items of Leased Equipment.



(b) The total sale price realized at any such sale shall be retained by the Lessor, and, in addition, the Lessee shall pay to the Lessor the amount of Basic Rent due on such Basic Rent Date, plus the excess, if any, of (A) the Termination Value for such Items, over (B) the proceeds of such sale less all expenses incurred by the Lessor in connection with such sale or with the collection or distribution of such payment. The obligation of the Lessee to pay Basic Rent with respect to such Items of Leased Equipment (including the installment of Basic Rent due on the Termination Date) shall continue undiminished until payment of the sale proceeds and all or any portion of the Termination Value, if any, payable hereunder to the Lessor. Upon the receipt of such payment the obligation of the Lessee to pay Basic Rent hereunder with respect to such Items shall cease. The Lessor shall have the right, but shall be under no duty, to solicit bids, to inquire into the efforts of the Lessee to obtain bids, or otherwise to take any action in connection with any such sale, other than as expressly provided herein. In the event the proceeds of such sale, less all expenses incurred by the Lessor in connection therewith or with the collection or distribution of such payment, exceed the Termination Value for such Items of Leased Equipment, the Lessee shall be entitled to receive from said excess, if any, its reasonable out-of-pocket costs and expenses incurred in connection with such sale.

(c) Paragraph (a) of this Section 19 to the contrary notwithstanding, if no Event of Default shall have occurred and be continuing and the Lessor shall not have terminated this Lease pursuant to any other provision hereof, the Lessee may, upon written notice delivered to Lessor at least 30 days prior to the Termination Date, rescind its election to terminate this Lease, in which case this Lease shall continue in full force and effect as though no such notice of termination had been given by the Lessee.

#### SECTION 20. Right of First Refusal.

(a) Provided that no Event of Default has occurred and is continuing hereunder, the Lessor agrees that, during the term of this Lease or any extension thereof and for 30 days following the expiration of the term of this Lease or any extension thereof with respect to any Item of Leased Equipment, it will not lease or sell such Item of Leased Equipment unless the Lessor shall have given the Lessee at least 15 Business Days' prior written notice of any intended lease or sale, specifying the rental or sale price and the terms of such lease or sale, and the Lessee shall have the opportunity during said period to lease or purchase such Item of Leased Equipment at the same rental or price and on the same terms as specified in such notice.

(b) In the event the Lessee exercises such right of first refusal to purchase any Item of Leased Equipment, then, upon payment of the purchase price, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Item of Leased

Equipment is free and clear of all claims, liens, security interests and other encumbrances by or in favor of any person claiming by, through or under the Lessor) for such Item of Leased Equipment, and such other documents as may be required to release such Item of Leased Equipment from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

SECTION 21. Performance of Obligations of Lessee by Lessor.

If an Event of Default should occur hereunder, the Lessor may thereafter make the payment or perform or comply with the agreement, the nonpayment, nonperformance or noncompliance with which caused such Event of Default, and the amount of such payment and the amount of the reasonable expenses of the Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest at the Overdue Rate as set forth in Exhibit C, shall be payable by the Lessee upon demand by the Lessor.

SECTION 22. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail prepaid, addressed (a) if to the Lessor, at P.O. Box 30007, Salt Lake City, Utah 84125, Attention: Trust Department, Corporate Division (with copies to (1) Itel Capital Services Corporation, at One Embarcadero Center, San Francisco, California 94111, Attention: Contract Administration, (2) the Trustee, at 130 John Street, New York, New York 10038, Attention: Corporation Trust and Agency Division and (3) each Beneficiary, at its address set forth in Exhibit C hereto), and (b) if to the Lessee, at its address set forth on the signature page hereof.

SECTION 23. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided that no such waiver, alteration, modification, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Indenture or any Supplement.

(b) This Lease, including all agreements, covenants, representations and warranties made herein or in any certificate delivered pursuant hereto, shall be binding upon and inure to the benefit of (1) the Lessor and its successors, assigns, agents, servants and personal representatives, and, (2) each Beneficiary, (3) the Trustee, as assignee and secured party, and the successors, assigns, agents, servants and personal representatives of each Beneficiary and the Trustee as assignee and secured party, (4) any holder of the obligations of the Lessor issued in connection with this

Lease, and (5) the Lessee and its successors and, to the extent permitted hereby, assigns. Without limiting the generality of the foregoing, with respect to the provisions of Sections 6, 8, 13 and 15 hereof, each Beneficiary, the Trustee as assignee and secured party, any holder of obligations of the Lessor issued in connection with this Lease, and the successors, assigns, agents, servants and personal representatives of the foregoing shall each be indemnified thereunder and, with respect to clause (b) of the proviso to Section 13 hereof, the wilful misconduct or gross negligence of the Lessor or any one such person shall not affect the rights of any other person indemnified under such Section 13.

(c) All agreements, indemnities, covenants, representations and warranties contained in this Lease or in any document or certificate delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(d) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(e) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Leased Equipment, except as lessee only.

(f) This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

(g) This Lease shall be construed in accordance with, and shall be governed by, the laws of the State of New York.

(h) Section headings are for convenience only and shall not be construed as part of this Lease.

(i) Although this Lease is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth opposite the signatures hereto, and this Lease shall be effective on the latest of such dates.

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

FIRST SECURITY BANK OF UTAH, N.A.,  
not in its individual capacity, but  
solely as trustee under a Master  
Trust Agreement dated as of October  
1, 1976 between it and Itel Capital  
Services Corporation,  
as Lessor

By   
Authorized Officer DEBRA J. DORFMAN

Date February 16, 1978

SOLTEX POLYMER CORPORATION,  
as Lessee

By \_\_\_\_\_  
Authorized Officer

Date \_\_\_\_\_

Address: 33 Richmond Avenue  
Houston, Texas 77027

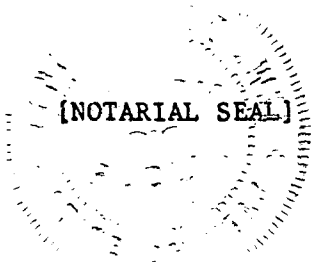
Attention: Rene H. Degreve

The undersigned hereby certifies that the person executing this Lease on behalf of the Lessee holds the indicated office, was duly elected thereto and at all relevant times has been a duly qualified and acting officer of the Lessee.

\_\_\_\_\_  
\_\_\_\_\_  
Date \_\_\_\_\_

STATE OF UTAH,       )  
                              ) ss.  
COUNTY OF SALT LAKE. )

On the 16th day of February, A.D. 1978, personally appeared before me, DEBRA J. DORFMAN who, being by me duly sworn, did say, that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., and that said instrument was signed in behalf of said national banking association by authority of its By-Laws and by resolution of its board of directors, and said DEBRA J. DORFMAN acknowledged to me that said national banking association executed the same.



Venna L. Gultawki  
Notary Public  
My Commission Expires November 15, 1981

DESCRIPTION OF EQUIPMENT

<u>Groups of Equipment (a)</u>	<u>Quantity (b)</u>	<u>Manufacturer</u>	<u>Identification Number</u>	<u>Description (c)</u>
1	55	ACF Industries	ELTX 838 through 892 inclusive	100-Ton Roller Bearing CF 5701 Center Flow Covered Hopper Cars; AAR Designation LO
1	55	Lithcote Company		Devoe Internal Protective Coating System for the above-described Center Flow Covered Hopper Cars

(a) Except as otherwise expressly provided or as the context shall otherwise require, as used herein, in the Indenture, each Supplement and this Lease and in all certificates and other instruments delivered pursuant hereto and thereto, the terms "Group" and "Group of Equipment" shall refer to the sub-designations described above.

(b) Equipment shall include such additional quantities of Items of Equipment specifically described above as the Lessee shall include in a Certificate of Acceptance; provided, however, that in no event shall the Maximum Financing Cost, Maximum Investment Commitment or Maximum Loan Commitment be exceeded without the express approval of each affected party.

(c) Each Devoe Internal Protective Coating System ("Lining") referred to herein shall be deemed to constitute a separate Item of Equipment solely for purposes of acceptance and funding thereof. For all other purposes under this Lease, the Participation Agreement, the Indenture and each Supplement, each Lining and its respective Hopper Car shall constitute but a single Item of Equipment.

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_

under

Equipment Lease dated as of January 10, 1978 (the Lease) between FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity, but solely as trustee under a Master Trust Agreement dated as of October 1, 1976 between it and Itel Capital Services Corporation as lessor (the Lessor) and SOLTEX POLYMER CORPORATION, as lessee (the Lessee).

1. Items of Equipment

The Lessee hereby certifies that the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item), constituting Items of Equipment of the Group of Equipment indicated below, have been delivered to the location indicated below, tested and inspected by the Lessee, found to be in good order and accepted as Items of Leased Equipment under the Lease, all on the date indicated below:

Group of Equipment:

1

Location of Items of Equipment:

Date of Acceptance:



2. Representations by the Lessee

The Lessee hereby represents and warrants to the Lessor, each Beneficiary, the Trustee, each Long-Term Lender and the Interim Lender, if any, as such terms are defined in the Lease, that on the Date of Acceptance with respect to each Item of Leased Equipment:

(1) the representations and warranties of the Lessee set forth in the Participation Agreement, as such term is defined in the Lease, are true and correct in all material respects on and as of such date as though made on and as of such date;

(2) the Lessee has satisfied or complied with all requirements set forth in the Participation Agreement and in the Lease to be satisfied or complied with on or prior to such date;

(3) no Event of Default under the Lease or event which, with the giving of notice or the lapse of time, or both, would become such an Event of Default has occurred and is continuing; and

(4) the Lessee has obtained, and there are in full force and effect, such insurance policies with respect to such Item of Leased Equipment required to be obtained under the terms of the Lease.

SOLTEX POLYMER CORPORATION,  
as Lessee

By \_\_\_\_\_  
\_\_\_\_\_

Dated: \_\_\_\_\_

Accepted on the Date of Acceptance  
set forth in paragraph 1 above on  
behalf of the Lessor:

FIRST SECURITY BANK OF UTAH, N.A.,  
not in its individual capacity,  
but solely as trustee under a  
Master Trust Agreement dated as  
of October 1, 1976 between it and  
Itel Capital Services Corporation,  
as Lessor

By \_\_\_\_\_  
Authorized Representative

SCHEDULE 1 TO  
CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Description of Equipment and Lessor's Cost:

<u>Quantity</u>	<u>Manufacturer or Seller</u>	<u>Description</u>	<u>Identification Number</u>	<u>New or Used</u>	<u>Lessor's Cost</u>
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Total Lessor's Cost

\$

EXHIBIT C

Group 1 Equipment  
(18-year Basic Lease Term)

<u>Date of Lease:</u>	As of January 10, 1978
<u>Beneficiary:</u>	Dial Leasing Corporation 207 Ninth Street Des Moines, Iowa 50307 Attention: Michael J. Keller, Esq.
Daily Lease <u>Rate Factor:</u>	1/360 of the higher of (i) the applicable Long-Term Debt Rate set forth in the Participation Agreement or (ii) 125% of the prime interest rate of the Bank of America, National Trust & Savings Association (being the best per annum rate of interest charged by such Bank to its prime large commercial customers on short-term unsecured borrowings)
Rent <u>Commencement Date:</u>	The Closing Date on which the applicable Item shall have been paid for by the Lessor
<u>Basic Rent Dates:</u>	The fifteenth day of each month
<u>Expiration Date:</u>	January 15, 1997
<u>First Delivery Date:</u>	February 1, 1978
<u>Final Delivery Date:</u>	December 31, 1978
<u>Interim Rent Date:</u>	January 15, 1979
First <u>Basic Rent Date:</u>	February 15, 1979
Last <u>Basic Rent Date:</u>	January 15, 1997

First Termination Date: January 15, 1994

Basic Lease Rate Factor: 0.7320%

Overdue Rate: One per cent in excess of the applicable Long-Term Debt Rate set forth in the Participation Agreement.

Lease Extension Periods: A maximum of 4 periods of 2 years each.

Equipment Marking: FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity, but solely as trustee: Lessor and Owner; UNITED STATES TRUST COMPANY OF NEW YORK, not in its individual capacity, but solely as trustee: Secured Party and Lienholder.

Return of Equipment: The Lessee shall, at its own expense, return each Item of Leased Equipment to the Lessor at such location, within a radius of 1,000 miles of the point of delivery of such Item, as the Lessor shall select.

Investment Credit: 10%

Depreciable Life: A 12-year depreciable life pursuant to section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25.

Depreciation Method: Double declining balance method switching to the sum-of-the-years digits method without the prior consent of the Commissioner of Internal Revenue utilizing either the "modified half-year" or "half-year"

convention pursuant to Reg. section 1.167(a)-11(c)-(2) and taking into account the Salvage Value of the Leased Equipment.

Salvage Value:

An amount equal to 10% of the Lessor's Cost of the Leased Equipment, which amount will be reduced by 10% of the Lessor's Cost as provided in section 167(f) of the Code.

EXHIBIT D  
Group 1 Equipment

The Casualty Value and Termination Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

<u>Interim Rent Date and Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
Interim Rent Date	89.6732	
1	89.8965	
2	90.1224	
3	90.3509	
4	90.5515	
5	90.7544	
6	90.9292	
7	91.1061	
8	91.2850	
9	91.4357	
10	91.5881	
11	91.7425	
12	91.8682	
13	91.9955	
14	92.1245	
15	92.2552	
16	92.3580	
17	92.4622	
18	92.5384	
19	92.6157	
20	92.6942	
21	92.7444	
22	92.7954	
23	92.8474	
24	92.8707	
25	92.8947	
26	92.9194	
27	92.9446	
28	92.9450	
29	92.9458	
30	92.9214	
31	92.8971	
32	92.8730	
33	92.8235	
34	92.7739	
35	92.7243	
36	92.6490	
37	92.5733	
38	92.4974	
39	92.4211	
40	92.3228	

EXHIBIT D to  
EQUIPMENT  
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<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
41	92.2240	
42	92.1031	
43	91.9813	
44	91.8588	
45	91.7139	
46	91.5680	
47	91.4211	
48	91.2515	
49	91.0807	
50	90.9087	
51	90.7354	
52	90.5432	
53	90.3496	
54	90.1369	
55	89.9226	
56	89.7066	
57	89.4729	
58	89.2374	
59	89.0000	
60	88.7607	
61	88.5195	
62	88.2764	
63	88.0314	
64	87.7844	
65	87.5355	
66	87.2846	
67	87.0317	
68	86.7769	
69	86.5200	
70	86.2610	
71	86.0001	
72	85.7370	
73	85.4719	
74	85.2047	
75	84.9353	
76	84.6639	
77	84.3902	
78	84.1145	
79	83.8365	
80	83.5563	

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<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
81	83.2740	
82	82.9893	
83	82.7025	
84	82.4133	
85	82.1219	
86	81.8281	
87	81.5321	
88	81.2337	
89	80.9329	
90	80.6298	
91	80.3242	
92	80.0162	
93	79.7058	
94	79.3930	
95	79.0776	
96	78.7598	
97	78.4394	
98	78.1165	
99	77.7911	
100	77.4631	
101	77.1324	
102	76.7992	
103	76.4633	
104	76.1248	
105	75.7836	
106	75.4397	
107	75.0930	
108	74.7437	
109	74.3915	
110	74.0366	
111	73.6788	
112	73.3182	
113	72.9548	
114	72.5885	
115	72.2193	
116	71.8471	
117	71.4721	
118	71.0940	
119	70.7130	
120	70.3289	



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<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
121	69.9418	
122	69.5517	
123	69.1584	
124	68.7620	
125	68.3625	
126	67.9599	
127	67.5540	
128	67.1449	
129	66.7327	
130	66.3171	
131	65.8982	
132	65.4760	
133	65.0505	
134	64.6216	
135	64.1894	
136	63.7536	
137	63.3145	
138	62.8719	
139	62.4257	
140	61.9761	
141	61.5228	
142	61.0660	
143	60.6056	
144	60.1415	
145	59.6758	
146	59.2084	
147	58.7394	
148	58.2686	
149	57.7962	
150	57.3220	
151	56.8461	
152	56.3685	
153	55.8891	
154	55.4080	
155	54.9251	
156	54.4403	
157	53.9539	
158	53.4658	
159	52.9759	
160	52.4842	

EXHIBIT D to  
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<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
161	51.9908	
162	51.4957	
163	50.9987	
164	50.5000	
165	49.9994	
166	49.4969	
167	48.9927	
168	48.4865	
169	47.9787	
170	47.4690	
171	46.9575	
172	46.4442	
173	45.9291	
174	45.4122	
175	44.8934	
176	44.3727	
177	43.8502	
178	43.3257	
179	42.7994	
180	42.2711	33.0014
181	41.7410	32.7566
182	41.2090	32.1646
183	40.6752	31.5702
184	40.1395	30.9735
185	39.6019	30.3744
186	39.0624	29.7729
187	38.5210	29.1690
188	37.9777	28.5627
189	37.4324	27.9539
190	36.8851	27.3427
191	36.3359	26.7290
192	35.7846	26.1127
193	35.2302	25.4928
194	34.6725	24.8691
195	34.1116	24.2416
196	33.5474	23.6103
197	32.9799	22.9752
198	32.4091	22.3362
199	31.8349	21.6933
200	31.2573	21.0464

<u>Rent Payment Number</u>	<u>Casualty Value (a)(b)</u>	<u>Termination Value (a)(b)</u>
	%	%
201	30.6763	20.3957
202	30.0918	19.7409
203	29.5039	19.0821
204	28.9215	18.4282
205	28.3342	17.7688
206	27.7419	17.1040
207	27.1448	16.4337
208	26.5639	15.7790
209	25.9781	15.1190
210	25.4088	14.4747
211	24.8348	13.8252
212	24.2560	13.1703
213	23.6938	12.5314
214	23.1269	11.8872
215	22.5555	11.2378
216	20.0000	.0000

and thereafter

(a) Casualty Values and Termination Values are expressed as a percentage of Lessor's Cost. Such percentages have been computed without regard to recapture of Investment Credit. Consequently, such percentages applicable on the Interim Rent Date or any Basic Rent Date where a Casualty Value and Termination Value shall be payable with respect to an Event of Loss or Termination Date occurring before the third, fifth or seventh anniversary of the date of acceptance set forth in the Certificate of Acceptance for such Item shall be increased by the percentage of Lessor's Cost set forth below, and for purposes of this Lease, Casualty Values and Termination Values payable on such dates shall be determined on the basis of the sum of such percentages:

<u>Anniversary of the Date of Acceptance</u>	<u>Percentage of Lessor's Cost To be Added to the Foregoing Percentage</u>
Third	20.4082%
Fifth	13.6054%
Seventh	6.8027%

(b) In the event the Basic Lease Rate Factor is increased, pursuant to the tax indemnification provisions set forth in Section 15 of the Lease, Casualty Values and Termination Values will be adjusted accordingly.